

SECTION B

3. (a) (i) Define the term **foreign direct investment** indicated in bold in the text (paragraph ①). [2 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>Vague definition.</i> The idea that firms of one country make investments in another country.	1
2 <i>Accurate definition.</i> An explanation that it is any two of the following: <ul style="list-style-type: none"> • long-term investment • investment by a multinational corporation (MNC) • investment representing at least 10% ownership 	2

- (ii) Define the term **diversification** indicated in bold in the text (paragraph ④). [2 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>Vague definition.</i> The idea that it involves an increase in the variety of goods and services produced in an economy.	1
2 <i>Accurate definition.</i> An explanation that it is a strategy to reduce reliance on the export of a narrow range of goods and services to reduce the risks of over-specialisation.	2

- (b) Explain *two* reasons why multinational corporations (MNCs) may have been attracted into Botswana (paragraphs ① and ②). [4 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>The written response is limited.</i> For explaining one reason.	1–2
2 <i>The written response is accurate.</i> For explaining any two of the following reasons: <ul style="list-style-type: none"> • high average level of income increases the potential sales of MNCs • good infrastructure makes it easier for MNCs to move goods and resources reducing costs • an efficient legal system reduces business costs and speeds up transactions • low corruption reduces business costs • low tax rates reduce the cost of production or increase after-tax profits • an efficient financial sector makes it easier to raise low cost finance • prudent economic management promotes a stable business environment • low political risk reduces uncertainty and promotes a stable business environment • access to geographically specific resources to increase production • good human rights record promotes a stable business environment and increases potential sales as consumers are becoming more socially conscious (eg Rana Plaza collapse) 	3–4

- (c) Explain *two* possible benefits for economic development of the Botswana government's investment in infrastructure (paragraph ③). [4 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>The written response is limited.</i> For explaining one benefit of infrastructure that would lead to an improvement in economic development, relating to, for example, improvements in standards of living, reduction of poverty, access to education, access to health care, increased freedom, or economic choice.	1–2
2 <i>The written response is accurate.</i> For explaining two benefits of infrastructure that would lead to an improvement in economic development, relating to, for example, improvements in standards of living, reduction of poverty, access to education, access to health care, increased freedom, or economic choice.	3–4

- (d) **Using information from the text/data and your knowledge of economics, evaluate possible supply-side policies that the Botswana government could use to achieve economic development.** **[8 marks]**

Examiners should be aware that candidates may take a different approach which if appropriate, should be rewarded.

If there is no direct reference to the data, then candidates may not be rewarded beyond level 2.

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>Few relevant concepts are recognized.</i> There is basic knowledge/understanding.	1–2
2 <i>Relevant concepts are recognized and developed in reasonable depth.</i> There is clear knowledge/understanding. There is some attempt at application/analysis.	3–5
3 <i>Relevant concepts are recognized and developed in reasonable depth.</i> There is clear knowledge/understanding. There is some effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	6–8

Command term

“Evaluate” requires candidates to make an appraisal by weighing up the strengths and limitations. Opinions and conclusions should be presented clearly and supported with appropriate evidence and sound argument.

Responses **may** include:

- a definition of economic development
- a definition of supply-side policies
- an LRAS diagram to show the impact of supply-side policies
- examples of interventionist supply-side policies:
 - subsidies
 - tax incentives (*paragraph ①*)
 - industrial policies (*eg tax cuts, subsidies, tax allowances*)
 - government investment in infrastructure (*paragraph ③*)
 - investment in human capital (*paragraph ⑥*) (*investment in education and training*)
 - research and development
- examples of market-based supply-side policies:
 - privatisation
 - deregulation
 - trade liberalisation - these three policies are meant to encourage competition
 - labour market reforms (reduce labour union power, decrease minimum wage or decrease unemployment benefits. Many of these may not apply to Botswana however)
 - reduced tax rates (may increase inequity however)

- many of these policies impact AD in the short term but LRAS in the long term
- an explanation of how supply-side policies might achieve diversification (*paragraph 4*)
- explanation of how the policies may lead to economic development
- consideration of why these policies may not lead to economic development. (*eg* time lags, impact on government budget, etc)

Any reasonable evaluation.

4. (a) (i) Define the term ***economic growth*** indicated in bold in the text (paragraph ④). [2 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>Vague definition.</i> The idea of a growing economy.	1
2 <i>Accurate definition.</i> An explanation that it is an increase in real output (real GDP) over time.	2

- (ii) State why the GNI (GNP) per capita for Moldova and India is higher than their GDP per capita (Table 1). [2 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>There is limited understanding.</i> The idea that there is more income from overseas.	1
2 <i>There is clear understanding.</i> An explanation that there must be a positive figure (balance) for net property income (current transfers).	2

- (b) Referring to Table 1, explain *two* possible reasons why India and Moldova have different Human Development Index (HDI) values from each other. [4 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>The written response is limited.</i> For recognising that the HDI is a composite index (or that the HDI measures several areas of development) and referring to at least two components.	1–2
2 <i>The written response is clear.</i> For explaining that since GNI per capita is similar in Moldova and India, this means that Moldova must have a higher value for life expectancy and/or mean years of schooling (or school enrolment/literacy – previous measure) since its HDI value is higher. To gain full marks, as well as observing that the GNI per capita is similar, candidates must make reference to the specific indicators of health (life expectancy) and education (mean years of schooling or school enrolment/literacy).	3–4

- (c) Using a Lorenz curve diagram showing India's changing income distribution, explain how India's Gini coefficient will have changed (paragraph 1). [4 marks]

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>There is a correct diagram or an accurate written response.</i> For drawing a correctly labelled Lorenz curve diagram showing the Lorenz curve to be shifting away from the diagonal or for explaining that India's inequality has increased shown by the outward shift in the Lorenz curve. This means that the Gini coefficient will have increased.	1–2
2 <i>There is a correct diagram and an accurate written response.</i> For drawing a correctly labelled Lorenz curve diagram showing the Lorenz curve to be shifting away from the diagonal and for explaining that India's inequality has increased shown by the outward shift in the Lorenz curve. This means that the Gini coefficient will have increased.	3–4

Candidates who incorrectly label diagrams can receive a maximum of [3 marks].

For the vertical axis, the label may be cumulative percentage of income or percentage of income. For the horizontal axis, the label may be cumulative percentage of population or percentage of population. A title is not necessary.

- (d) Using information from the text/data in Table 2 and your knowledge of economics, examine Amartya Sen’s argument that economic growth should not be “our ultimate objective, but a very useful means to achieve ... a better quality of life” (*paragraph 4*). [8 marks]

Examiners should be aware that candidates may take a different approach, which, if appropriate, should be rewarded.

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level	Marks
0 <i>The work does not reach a standard described by the descriptors below.</i>	0
1 <i>Few relevant concepts are recognized.</i> There is basic knowledge/understanding.	1–2
2 <i>Relevant concepts are recognized and developed in reasonable depth.</i> There is clear knowledge/understanding. There is some attempt at application/analysis.	3–5
3 <i>Relevant concepts are recognized and developed in reasonable depth.</i> There is clear knowledge/understanding. There is some effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	6–8

Command term

“Examine” requires candidates to consider an argument or concept in a way that uncovers the assumptions and interrelationships of the issue. Opinions and conclusions should be presented clearly and supported by appropriate evidence.

Responses **may** include:

- definition of economic growth
- diagram illustrating growth in potential output (PPC or LRAS shifts)
- diagram illustrating growth in actual output (AD/AS shifts)
- relationship between quality of life and economic development
- relationship between economic growth and quality of life (economic development):
 - growth over long periods essential for development, but possible to have some development with less growth
 - reference to Bangladesh’s superior performance in spite of lower growth rates and lower GNI per capita (*Table 2*) and Moldova’s higher HDI despite lower GDP per capita (*Table 1*)
 - reference to indicators of quality of life/development (*Table 2*)
 - possible to have growth with little or no development. India not achieving MDGs (*paragraph 1*) despite average growth of 8.6 % in the years 20005-2011 (*paragraph 3*)
 - outcomes depend on particular growth policies
- potential benefits of growth: more resources to pursue development objectives and improve quality of life

- interventionist supply-side policies (investment in health and education, industrial policies) can result in growth with development, improvements in quality of life, improved income distribution (*paragraph 3*)
- market-oriented supply-side policies may result in growth with increasing poverty and worsening income distribution - inequality increase by 14% (*paragraph 1*)
- importance of improved income distribution for growth with development (*paragraph 1*)
- for growth with development need growth policies that address the causes of poverty (increased employment opportunities, investments in human capital, *etc*)
- even growth of 10 % per year (*paragraph 3*) is unlikely to reduce poverty and improve standards of living if growth policies are not inclusive/aimed at poverty alleviation (investments in human capital, micro-credit for the poor, income redistribution policies, increased property rights, increased wages/improved labour conditions, improved human rights)
- growth may result in negative externalities which may lead to a lower quality of life.

Any reasonable examination.
